

Message Text

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ACTION AF-10

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C O N F I D E N T I A L ACCRA 5627

ALSO FOR AID/W

EO 11652: GDS
TAGS: EAID, GH, US
SUBJ: GOG REQUESTS BALANCE OF PAYMENT ASSISTANCE

1. SUMMARY: CHARGE AND USAID DIRECTOR WERE CALLED TO A MEETING JULY 11 WITH COMMISSIONER FOR ECONOMIC PLANNING; GOVERNOR OF BANK OF GHANA; A REPRESENTATIVE OF MINISTRY OF FOREIGN AFFAIRS AND STAFF MEMBERS FROM MINISTRY OF ECONOMIC PLANNING. COMMISSIONER ABBEY CHAIRED MEETING AND STATED IT WAS CALLED TO SEEK BALANCE OF PAYMENT SUPPORT FROM USG IN THE FORM OF PL 480 TITLE I OR III, AND A PROGRAM LOAN. THE COMMISSIONER ALSO STATED THAT GOG'S PREVIOUS REQUEST FOR PL 480 TITLE II EMERGENCY FOOD WOULD BE RESUBMITTED. AS A BRIDGING DEVICE, PRIOR TO POSSIBLE APPROVAL OF TITLE I OR III AND PROGRAM LOAN, THE GOG WOULD SEEK TO USE THE FACILITIES OF COMMODITY CREDIT CORPORATION. END SUMMARY.

2. COMMISSIONER ABBEY CONVENED THIS MEETING AS A FOLLOW-UP TO EARLIER MEETING SAME DAY BETWEEN CHARGE AND HEAD OF STATE AKUFFO (ACCRA 5555). THE COMMISSIONER STARTED BY DECLARING THAT NEW GOVERNMENT WAS ALREADY TAKING ACTIONS TO DEMONSTRATE IT HAD THE POLITICAL
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WILL TO MAKE THE NECESSARY HARD DECISIONS TO IMPROVE THE ECONOMY. HE ALSO STATED THAT THE GOVERNMENT WAS UNDER PRESSURE TO SHOW RESULTS, AND THEREFORE THE GOG WAS APPROACHING ITS FRIENDS FOR ASSISTANCE AT THIS TIME OF NEED.

3. THE TYPES OF BALANCE OF PAYMENT SUPPORT BEING

SOUGHT ARE COVERED UNDER PL 480 TITLE I OR III AND PROGRAM LOANS. BOTH TYPES WOULD BE NECESSARY TO OBTAIN MUCH NEEDED RAW MATERIALS TO AID THE "STARVED" INDUSTRIAL SECTOR. THIS INPUT WOULD BE ESSENTIAL TO GETTING INDUSTRIAL PRODUCTION RESTARTED. FOOD GRAINS, ESPECIALLY WHEAT, ARE NECESSARY TO AID IN MEETING THE FOOD REQUIREMENTS FOR THE NATION. THE AMOUNT ALREADY COMMITTED TO COMMERCIAL IMPORT OF FOOD IS AROUND DOLS 100 MILLION. THE SPECIFIC TYPES OF COMMODITIES AND FOOD GRAINS DESIRED WILL BE IDENTIFIED WHEN THE PROPOSAL IS DEVELOPED.

4. THE COMMISSIONER DISCUSSED VARIOUS PROPOSED ACTIVITIES TO ILLUSTRATE GOG'S ECONOMIC STABILIZATION MEASURES WHICH SHOULD JUSTIFY DONOR SUPPORT:

A. IMF HAS BEEN REQUESTED TO EXPAND ITS TEAM COMPOSITION DUE GHANA EARLY AUGUST SO THAT IT WILL BE ABLE TO DETERMINE IF THE ECONOMIC STABILIZATION MEASURES PROPOSED BY GOG WILL JUSTIFY "STANDBY CREDIT."

B. STEPS ARE BEING INSTITUTED TO REDUCE INFLATION, SUCH AS:

- (1) CAPPING WAGE INCREASES;
 - (2) TRIMMING THE RECURRENT AND CAPITAL BUDGETS;
 - (3) REDUCING THE AMOUNT OF BUDGET DEFICIT TO BE FINANCED BY THE CENTRAL BANK;
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(4) INCREASING REVENUE COLLECTIONS.

C. GREATER DETAILS ON THE ABOVE ITEMS PLUS OTHER STABILIZATION MEASURES WILL BE INCLUDED IN THE FY 79 BUDGET DUE TO BE PUBLISHED FROM JULY 15 TO 30.

D. THE FLEXIBLE EXCHANGE RATE AND ADJUSTMENTS BY SMALL INSTALLMENTS WILL PROVIDE NEEDED TIME TO GET OTHER MEASURES IN PLACE.

5. AS A BRIDGING APPROACH WHILE THE PROPOSALS FOR TITLE I OR III AND PROGRAM LOAN ARE BEING CONSIDERED BY USG, THE GOG WILL AVAIL ITSELF OF THE COMMODITY CREDIT CORPORATION (CCC) TO OBTAIN COMMODITIES. THE TYPES OF COMMODITIES DESIRED, IN SMALL QUANTITIES, ARE: COTTON, TALLOW, TOBACCO, WHEAT, RICE (BROWN AND WHITE), AND NON-FAT DRIED MILK.

6. THE FINAL SUBJECT WAS NOTIFICATION THAT THE GOG WOULD RESUBMIT ITS REQUEST FOR EMERGENCY FOOD ASSISTANCE PL 480 TITLE II FOR THE DROUGHT-AFFECTED AREAS OF THE NORTH. THE REQUEST WOULD BE FOR 10,000 MT OF SORGHUM, WITH PERMISSION TO SELL THE FOOD TO HELP DEFRAY DISTRIBUTION COSTS.

7. THE GOG WILL SUBMIT A FORMAL WRITTEN REQUEST
ASAP CONTAINING THE FOUR AREAS LISTED ABOVE. THE
FULL TEXT OF THAT LETTER WILL BE CABLED UPON
RECEIPT.

8. PLEASE ADVISE ANY REACTION WASHINGTON HAS TO
THE ABOVE.
HOLMES

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NNN

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